



SANTA ANA DISTRICT NEWSLETTER

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January 2011

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Important Announcement from SBA Administrator Karen Mills

Dear Small Business Owner,

As I've traveled the country this year, I have heard from many of you who are looking forward to the new tax credits, health insurance exchanges, and other tools that will help you provide health insurance coverage to your employees as a result of the Affordable Care Act.

The most immediate benefit of the new law is a tax credit that will help America's smallest employers and nonprofit organizations (less than 25 full-time equivalent employees with average annual wages below \$50,000) who have been hit hardest by premium increases in recent years. **Today, I'm pleased to announce that the Administration is releasing a one-page form and instructions ([available here](#)) on how to claim this credit for the 2010 tax year.** In addition, new guidance released today answers questions that many of you have asked related to: your current contribution arrangements, eligibility for certain religious institutions, and participation by multiemployer health and welfare plans. In each case, the Administration has worked to ensure that a broad range of small businesses can qualify.

These credits are available for tax years 2010 through 2013 and for any two years after that. Through 2013, the maximum tax credit is 35 percent of premiums paid by small employers and 25 percent for eligible tax-exempt organizations. Beginning in 2014, those levels increase to 50 percent and 35 percent, respectively. Importantly, these credits are just one of many benefits in the Affordable Care Act. Most notably, in 2014, firms with up to 100 workers will be able to pool their buying power and reduce their administrative costs by purchasing coverage through a health insurance exchange.

Finally, the new law strengthens America's entrepreneurial spirit, overall. For example, it outlaws discrimination against those with pre-existing conditions, giving more Americans the ability to break out of "job lock" and start their own companies. The new law also prohibits insurance companies from dramatically increasing premiums for a small business just because one worker gets sick.

Overall, the Affordable Care Act is a critical tool that will help millions of small business owners provide health insurance to people who you often consider to be members of your extended family - your employees. As a nation, we owe you nothing less as you work to grow, create jobs, and lead us toward full economic recovery.

Warm regards,

Karen Mills
SBA Administrator

Inland Empire
SBDC

Tritech SBDC

Orange
County SCORE

Inland Empire
SCORE

Coachella
Valley SCORE

Institute of
Women
Entrepreneurs

Inland Empire
Women's
Business
Center

Coachella
Valley
Women's
Business
Center

Jobs Act Supported More than \$400 Million in SBA Lending to Small Businesses in Santa Ana District in Three Months

Story by Doug Dare, Business Development Specialist

SANTA ANA - District Director Adalberto Quijada announced that as of December 31st, the Small Business Administration had approved more than \$413,965,600 in loan guarantees which supported \$502,416,382 in lending to small businesses in the counties of Orange, Riverside, and San Bernardino during the first quarter of FY2011. This represents a 116% rise in dollar amount and 47% rise in number of loans guaranteed compared to the first quarter of FY2010, which Quijada ties to the implementation of the Jobs Act, signed by President Obama on September 27. The Jobs Act included enhancements such as reduced fees and increased guarantees for SBA loans, first made popular in the American Recovery and Reinvestment Act of 2009.

A statement from SBA Administrator Karen Mills released yesterday noted that SBA moved quickly to get these critical loan dollars in the hands of small businesses and just three months later all of the \$505 million in subsidy provided in the Jobs Act to support loan enhancements has been utilized by the agency's network of lending partners. In light of that, SBA has activated a queue to ensure that any remaining funds resulting from cancellations be redirected to new Jobs Act loans.

Mills noted later in her statement that "these enhancements have been a key piece of the Obama

Administration's efforts to help small businesses drive our nation's economic recovery," and that "as we transition back to our standard guarantees and fee rates, SBA loan programs will continue to play an important role, as they have for decades, in helping entrepreneurs and small business owners start or grow their businesses and create jobs."

The Santa Ana District Office issued the following breakdown:

Period	County	Number of Loans	Dollar Volume
Q1 FY11	Orange	339	\$220,896,200.00
	Riverside	126	\$94,750,100.00
	San Bernardino	104	\$98,319,300.00
Q1 FY10	Orange	211	\$105,165,200.00
	Riverside	94	\$48,350,665.00
	SB	83	\$39,709,500.00
Q1 FY09	Orange	128	\$55,646,500.00
	Riverside	63	\$21,954,000.00
	San Bernardino	66	\$32,322,500.00
Q1 FY08	Orange	331	\$92,775,300.00
	Riverside	211	\$54,382,200.00
	San Bernardino	181	\$44,271,646.00
Q1 FY07	Orange	379	\$112,378,400.00
	Riverside	186	\$49,068,200.00
	San Bernardino	171	\$59,716,600.00

Business owners such as Barbara and Greg Gerovac, who own the Anaheim Brewery in Anaheim, California, benefitted from the provisions in the Act. The Gerovacs, who saved roughly \$15,000 in closing costs on their SBA guaranteed 7(a) loan financed by Wells Fargo, started a brewery last month after working for other breweries for the past nine years.

While Congress did take action in late December to extend SBA's authority to provide the loan enhancements until March 4th, the SBA does not anticipate an additional appropriation to continue the loan enhancements beyond their current funding, which was exhausted in late December. Since it's typical that some previously approved Small Business Jobs Act loans will be cancelled by the borrower or the lender for various reasons, SBA has created a loan queue to allow lenders and borrowers to choose whether to they would like to wait for possible Jobs Act loan enhancements. While the agency does not anticipate a high volume of cancellations, the queue will ensure that every dollar possible gets into the hands of small businesses, as the Act intended.

The Small Business Jobs Act included an array of provisions aimed at helping small businesses gain access to capital, compete for federal contracting opportunities, expand exporting opportunities and obtain other assistance to help them grow and create jobs. More information on the Jobs Act can be found at www.sba.gov/jobsact.

SBA's lending programs help thousands of business owners each year realize their potential. For more information about our lending programs, please visit www.sba.gov/financialassistance.

SBA Export Financing Programs Can Help Small Businesses Explore & Expand Exporting

By Stephen Leung, Lender Relations Specialist

President Obama's National Export Initiative has called for doubling the nation's exports to support the

creation of two million jobs over the next five years. To help reach this goal, SBA's export financing programs were strengthened through the implementation of the Small Business Jobs Act.

According to Administrator Karen Mills, "The Jobs Act strengthened SBA's ability to provide assistance in both those areas by enhancing our export loan programs and also making counseling and technical assistance more accessible. Already we're seeing these tools put to use by small businesses that are in a position to grow and create good-paying jobs in their communities. "

Export Express

This loan program, which now features a ceiling of \$500,000, can enable a small business to enter a new export market or expand an existing export market. Small businesses can use the funds for sales and marketing materials, attending trade shows, and for export working capital. This program can benefit small businesses that are already exporting and also small businesses trying to explore new markets for export. Any SBA Express lender can automatically process the Export Express Loan.

Export Working Capital Loan Program (EWCP)

This loan program, which now has a maximum loan amount of \$5,000,000, caters to small businesses requiring working capital for transaction financing. EWCP can be used by small business for acquiring inventory of services for export, direct and indirect cost to manufacture goods or for sale of services, standby letters of credit, and financing foreign receivables. A small business that does not directly export but is involved in indirect exporting can qualify for this program if a domestic customer certifies that goods are being exported. Small business that are new to exporting can qualify as well.

SBA's guaranty for EWCP is 90% as opposed to our standard 7(a) loan of generally 75%. EWCP can be for a single transaction or as a revolving line of credit. EWCP benefits small business in the following ways:

- Low cost and quick turnaround
- Frees up Line of Credit for domestic use
- 100% financing of export costs
- Small business can offer better terms to export buyers

International Trade Loans

The maximum loan amount for International Trade Loans is \$5,000,000 and like EWCP is 90% guaranteed by SBA. The International Trade Loans are for fixed asset financing (i.e. real estate and equipment). Small business can also combine with EWCP for financing purposes.

If a small business is considering the purchase of fixed assets to expand and can show that its purpose is to expand existing export markets or develop new markets, or can show that the small business needs the loan to help them recover from injury caused by foreign competition, they are eligible for this 90% guaranty program.

Benefits of the International Trade Loans are as follows:

- Low cost fixed asset financing
- Can be combined with a permanent working capital component
- Debt restructuring allowed if original debt would qualify for International Trade Loans

For more information on export services for small businesses or to find local counseling and technical assistance resources, please click [here](#) or contact our District Office directly for assistance.

For a list of current SBA export lenders, please click [here](#).

SBA Announces New Initiatives Aimed at Increasing Lending in Underserved Communities

WASHINGTON - With small business owners and entrepreneurs in traditionally underserved communities continuing to face challenges accessing capital, the U.S. Small Business Administration recently announced two new initiatives aimed at increasing SBA-backed loans to small businesses in these markets.

SBA Administrator Karen Mills also named Catherine L. Hughes, chairperson and founder of Radio One, Inc., and a former SBA borrower, to chair the agency's new Advisory Council on Underserved Communities.

SBA and U.S. Department of Commerce studies have shown the importance of lower-dollar loans to small business formation and growth in underserved communities. With that in mind, the two new loan initiatives - **Small Loan Advantage** and **Community Advantage** - are aimed at increasing the number of lower-dollar SBA 7(a) loans going to small businesses and entrepreneurs in underserved communities. The agency's most popular loan product, 7(a) government-guaranteed loans can be used for a variety of general business purposes, including working capital and purchases of equipment and real estate.

In conjunction with the implementation of these two new Advantage loan initiatives by March 15, the agency will end its existing Community Express pilot loan program on April 30.

"Over the last two years, we've seen lending to all small businesses tighten up, and that tightening has been even greater in traditionally underserved communities, including among minorities, women and in rural areas," SBA Administrator Karen Mills said. "These new Advantage initiatives are aimed directly at getting more loans into these markets so these small business owners can get the capital they need to start or grow their business and create good paying jobs in local communities across the country."

Built on what the agency refers to as its "Advantage" platform, both Small Loan Advantage and Community Advantage will offer a streamlined application process for SBA-guaranteed 7(a) loans up to \$250,000. These loans will come with the regular 7(a) government guarantee, 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000.

Small Loan Advantage will be available to the 630 financial institutions across the country in the agency's Preferred Lender Program (PLP). Under PLP, which includes most of the agency's highest volume lenders, SBA delegates the final credit decisions to lenders.

With Community Advantage, the agency will expand the points of access small business owners have for getting loans by opening SBA's 7(a) loan program to "mission-focused" financial institutions, including Community Development Financial Institutions, Certified Development Companies and non-profit microlending intermediaries. Community Advantage will leverage the experience these institutions already have in lending to minority, women-owned and start-up companies in economically challenged markets, along with their management and technical assistance expertise, to help make their borrowers successful.

"These two new loan initiatives tackle a couple of factors we know exist when it comes to the challenges small business owners face," Mills said. "First, to add more incentive for lower-dollar loans in these communities, we are providing a streamlined process for lenders along with the regular 7(a) government guarantee. Second, we are taking steps that will increase the number of places small business owners in underserved communities can go to get loans. And also, with Community Advantage, we are making sure that the additional assistance some borrowers may need through counseling and technical assistance will be available."

Mills added that the new loan initiatives are in line with the agency's core mission of supporting small business growth and job creation, and goals of the new **Advisory Council on Underserved Communities**, announced today. The Council will provide input, advice and recommendations on how

SBA through its programs can help strengthen competitiveness and sustainability for small businesses in underserved communities.

"Many entrepreneurs and small business owners across the country have enormous potential to drive economic growth and create good-paying jobs in their local communities, but too often they face barriers in fulfilling that potential," said Hughes, who will chair the council. "I'm excited to be a part of this effort to strengthen the link between these entrepreneurs and the SBA's wide variety of resources. SBA assistance played a critical role in my success, and I'm eager to do all I can to help make sure others have access to these same opportunities."

The agency's new Advisory Council on Underserved Communities will consist of 20 members from across the country. Over the next few weeks, the SBA will accept nominations for members to serve on the CUC. Members will provide a critical link between SBA and small businesses in traditionally underserved communities. It is anticipated that members will reflect a variety of key sectors, including business owners, banking and finance, community development, nonprofit and academia. Member nominations can be emailed to underservedcouncil@sba.gov.

A Nebraska native, Hughes began a career in radio in 1969 at KOWH, a small black-owned radio station in Omaha. She came to Washington, D.C., as a lecturer at Howard University's School of Communications, and worked at several local radio stations before she and then her husband purchased a small D.C. station and turned it into Radio One. Later, Hughes bought out her husband and became sole owner, at one point moving into the station to make ends meet. Today, Radio One owns 52 radio stations in major markets across the country, making the company the largest black-owned radio chain in the nation. In January of 2004, Hughes launched TV One, a cable television channel targeted at the African American community.

Woman-Owned Small Business Certification Set to Launch in February

With the publication of a final rule in the Federal Register in October, the U.S. Small Business Administration has begun implementation of its women-owned small business (WOSB) contracting certification program, **effective February 4, 2011.**

The rule is part of the Obama Administration's overall commitment to expanding opportunities for small businesses to compete for federal contracts, in particular those owned by women, socially and economically disadvantaged persons and veterans. This rule identifies 83 industries in which WOSBs are under-represented or substantially under-represented in the federal contract marketplace. In addition to opening up more opportunities for WOSBs, the rule is also another tool to help achieve the statutory goal that 5 percent of federal contracting dollars go to women-owned small businesses.

"Women-owned businesses are one of the fastest growing sectors of our nation's economy, and even during the economic downturn of the last few years, have been one of the key job creation engines in communities across the country," SBA Administrator Karen Mills said.

"Federal contracts provide critical opportunities for owners of small firms to take their business to the next level and create good-paying jobs," Mills added. "Despite their growth and the fact that women lead some of the strongest and most innovative companies, women-owned firms continue to be under-represented in the federal contracting marketplace. This rule will be a platform for changing that by providing greater opportunities for women-owned small businesses to compete for and win federal contracts."

With the earlier publication of the final rule, SBA, in conjunction with the Federal Acquisition Regulatory Council, is in the process of completing a 120-day implementation of the WOSB contracting program, including building the technology and program infrastructure to support the certification process and

ongoing oversight. The agency expects that federal agencies' contracting officers will be able to start making contracts available to WOSBs under the program in early 2011.

The creation of a rule to increase federal contracting opportunities for WOSBs was authorized by Congress in 2000. Since that time, SBA took a number of steps to study and analyze the market, including looking at participation by women-owned small businesses across all industries. Various draft rules were made available for public comment in prior years, but shortly after taking office the Obama Administration drafted a new, comprehensive rule, based on the analysis of the prior studies and on all the questions and comments previously received. The proposed rule was published for public comment on March 2, 2010 for 60 days. SBA received over 1,000 comments during that time.

Some of the components of the Women-Owned Small Business rule include:

- To be eligible, a firm must be 51 percent owned and controlled by one or more women, and primarily managed by one or more women. The women must be U.S. citizens. The firm must be "small" in its primary industry in accordance with SBA's size standards for that industry. In order for a WOSB to be deemed "economically disadvantaged," its owners must demonstrate economic disadvantage in accordance with the requirements set forth in the final rule.
- Based upon the analysis in a study commissioned by the SBA from the Kauffman-RAND Foundation, the final rule identifies 83 industries (identified by "NAICS" codes) in which women-owned small businesses are under-represented or substantially under-represented in federal procurements.
 - o The SBA has identified eligible industries based upon the combination of both the "share of contracting dollars" analysis, as well as the "share of number of contracts awarded" analysis used in the RAND study. This differs from an earlier proposed version of the rule which identified only four industries in which women-owned small businesses were under-represented. This earlier version proposed to identify eligible industries based solely on the "share of contracting dollars" analysis used in the RAND study.
- In accordance with the statute, the final rule authorizes a set-aside of federal contracts for WOSBs where the anticipated contract price does not exceed \$5 million in the case of manufacturing contracts and \$3 million in the case of other contracts. Contracts with values in excess of these limits are not subject to set-aside under this program.
- The final rule removes the requirement, set forth in a prior proposed version, that each federal agency certify that it had engaged in discrimination against women-owned small businesses in order for the program to apply to contracting by that agency.
- The proposed rule allows women-owned small businesses to self-certify as "WOSBs" or to be certified by third-party certifiers, including government entities and private certification groups.
 - o The final rule requires WOSBs which self-certify to submit a robust certification verification, to complete the certifications at the federal Online Representation and Certification Application ("ORCA") Web site, and also to submit a core set of eligibility-related documents to an online "document repository" to be maintained by the SBA. Each agency's contracting officers will have full access to this repository.
 - o The SBA intends to engage in a significant number of program examinations to confirm eligibility of individual WOSBs.
 - o In the event of a contract protest or program review, the SBA has the authority to request substantial additional documentation from the WOSB to establish eligibility.
 - o SBA intends to pursue vigorously punitive action against ineligible firms which seek to take advantage of this program and in so doing to deny its benefits to the intended legitimate WOSBs.

VA Establishes Mentor-Protege Program for Veteran-Owned, Service Disabled Veteran-Owned Small Businesses

Story by Doug Dare, Business Development Specialist

WASHINGTON - To help small businesses owned by service-disabled Veterans and other Veteran-owned small businesses become more competitive in the marketplace, the Department of Veterans Affairs (VA) has selected 20 mentor-protégé teams to participate in a new program.

"For VA, it's a natural goal to award government contracts to qualified Veteran-owned small businesses," said Secretary of Veterans Affairs Eric K. Shinseki. "Not only does it benefit the Veteran entrepreneur, but VA gets the contractor support it needs more quickly and with less risk. All Veterans win by getting better services from VA."

The program commits participating firms to agreements of up to 36 months in which mentoring firms provide business assistance in various skill areas and foster long-term business relationships with their Veteran-owned protégé firms. The mentor and protégé firms will prepare their own agreements. VA selected the teams based on its assessment of small businesses owned by Veterans and the ability of potential mentoring firms to offer help with development.

Small-business specialists in VA's Office of Small and Disadvantaged Business Utilization reviewed the agreements formed by the participants. The mentoring firms are not necessarily Veteran-owned. Their mentoring can benefit the protégé firms if VA evaluates them in bidding for future contracts or subcontracts.

VA said it plans to select five more pairs of mentor and protégé firms next month. VA will select additional mentor-protégé teams next August and approximately every six months thereafter.

For more information about the program, please visit <http://www.va.gov/osdbu/mpp.asp>

Santa Ana District Top 20 SBA Lender Ranking

Rank	Lender Name	# of Loans	Gross SBA Lending	Average \$/Loan
1	Wells Fargo Bank, N.A.	62	\$45,199,400	\$729,023
2	JPMorgan Chase Bank, N.A.	56	\$16,341,700	\$291,816
3	CDC Small Business Finance Corp.	53	\$25,010,000	\$471,887
4	U.S. Bank, N.A.	26	\$25,020,200	\$962,315
5	Pacific Enterprise Bank	21	\$19,990,800	\$951,943
6	Center Bank	19	\$11,380,300	\$598,963
7	Wilshire State Bank	18	\$17,792,000	\$988,444
8	Seacoast Commerce Bank	18	\$14,842,800	\$824,600
9	Community Bank	16	\$10,231,900	\$639,494
10	Southland Economic Development Corp.	15	\$17,437,000	\$1,162,467
11	California Bank & Trust	15	\$5,912,000	\$394,133
12	Capital Bank	14	\$8,161,500	\$582,964
13	Superior Financial Group, LLC	14	\$175,000	\$12,500
14	Borrego Springs Bank, N.A.	13	\$2,667,000	\$205,154
15	Premier Commercial Bank, N.A.	10	\$13,720,100	\$1,372,010
16	Celtic Bank Corporation	10	\$11,249,300	\$1,124,930
17	Commerce National Bank	10	\$8,221,000	\$822,100
18	EDF Resource Capital, Inc.	10	\$5,607,000	\$560,700
19	Plaza Bank	9	\$10,080,000	\$1,120,000
20	Pacific City Bank	9	\$7,740,300	\$860,033

The information in this table is compiled from loans approved between October 1, 2010 and December 31st, 2010. For a complete ranking of lenders that have made SBA loans this fiscal year, please contact Stephen Leung, Lender Relations Specialist at (714) 560-7450 or stephen.leung@sba.gov.

Inland Empire Export Trade Assistance Partnership (ETAP) Wraps Up

Story by Doug Dare, Business Development Specialist

The Santa Ana District Office, in conjunction with the Inland Empire Small Business Development Center, recently participated in it's second Export Trade Assistance Partnership (ETAP) of the year. The ETAP program is a partnership between government officials and industry experts designed to help companies increase exports of their products and services in order to strengthen the competitiveness of American industry and help meet President Obama's National Export Initiative.

An average of twenty entrepreneurs attended each workshop, which covered topics ranging from Exploring Market Entry Strategies to International Trade Finance and International Shipping, Logistics, and Supply Chains. Attendees had the option of attending single sessions or attending the series of four workshops.

Past participants of the program, such as Starport Foods, headquartered in Fullerton, have created successful export transactions as a result of the information and contacts gained through the program.

If you have any export related questions, or would like to participate in a future ETAP series, please contact Business Development Specialist Paul Smith at (714) 560-7448 or email paul.smith@sba.gov.

In Other News...

Coachella Valley Economic Partnership, Indio Chamber of Commerce, and SBA Small Business Day - February 24

The Santa Ana District Office is pleased to announce our participation in the upcoming SBA day, which will focus on small business lending and incentives to do business in the Coachella Valley. Questions may be directed to Jill Andrews, Lead Business Development Specialist, at (714) 560-7466 or jill.andrews@sba.gov.

Conference for Latino Entrepreneurs - January 29

Towards the end of the month, SADO staff members will be participating in the annual Conferencia para Empresarios Latinos, or Conference for Latino Entrepreneurs. This Spanish language event will be held on January 29th from 8:00am to 3:00pm at 212 S. Elks Lane in Santa Ana, CA. Questions may be directed to Business Development Specialist Sylvia Gutierrez at (714) 560-7454.

8(a) Application Workshop on January 20th

The Santa Ana District Office will be hosting another 8(a) Application Workshop on January 20th from 8:30am to noon. Please call Sandra Diaz at (714) 560-7446 or email sandra.diaz@sba.gov to register or for more information. The [8\(a\) program](#) is a nine-year business development program for socially and economically disadvantaged business owners.

California VBOC Hires Local Consultant

Donald Stukes, a veteran of the U.S. Navy and a Service-Disabled Veteran-Owned Small Business owner, was hired by the Veterans Business Outreach Center recently as a Veterans Business Advisor. Mr. Stukes is a Certified Management Consultant and has been the CEO of two successful consulting practices, in addition to his background as a procurement professional for large businesses in the defense industry. To make an appointment for free counseling with Donald, contact the Veterans Business Outreach Center directly at (916) 393-1690.